DOCUMENT RESUME

ED 434 215 CE 079 161

AUTHOR	Brown, Bettina Lankard
TITLE	Training Practices for Small Businesses. Practice Application Brief No. 6.
INSTITUTION	ERIC Clearinghouse on Adult, Career, and Vocational Education, Columbus, OH.
SPONS AGENCY	Office of Educational Research and Improvement (ED), Washington, DC.
PUB DATE	1999-00-00
NOTE	4p.
CONTRACT	ED-99-CO-0013
AVAILABLE FROM	For full text: <http://ericacve.org/fulltext.asp>.
PUB TYPE	ERIC Publications (071)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Education Work Relationship; Educational Needs; *Educational Practices; Educational Trends; Job Training; Needs Assessment; *School Business Relationship; *Small Businesses; *Training Methods; Training Objectives; Trend Analysis; *Vocational Education
IDENTIFIERS	*Outsourcing

ABSTRACT

Although large companies are more apt to provide training than smaller companies are, size is becoming less of a predictor of training than complexity of the environment, degree of market competition, and internal makeup of the company. The increasingly technological nature of the workplace has prompted many small businesses to increase their spending on training. In most of the 6 million U.S. small businesses with fewer than 50 employees, training is usually offered in house on an informal and sometimes random basis. Forms of employer-provided training include the following: on-the-job training by mentors and co-workers; seminars and speakers; classroom instruction; one-on-one training; training partnerships with other businesses and suppliers; and vendor training provided by suppliers. Because many small companies lack technology specialists or time for technology specialists to train other employees, approximately one-third of all small businesses resort to outsourced training delivered by training companies or educational institutions. Trainers in small businesses face time, space, and staff restrictions because of limited funding for their efforts, as well as attitudinal obstacles. Small businesses can enhance employee training by adopting mentoring, coaching, and peer review practices. Innovative compensation practices have proved effective in prompting employees of small businesses to seek and continue training. (Contains 16 references.) (MN)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 434 215

Training Practices for Small Businesses
Practice Application Brief No. 6

Bettina Lankard Brown

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☑ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

ERIC Clearinghouse on Adult, Career, and Vocational Education
Center on Education and Training for Employment
College of Education
The Ohio State University
1900 Kenny Road
Columbus, OH 43210-1090

CE079161

BEST COPY AVAILABLE

ERIC Clearinghouse on Adult, Career, and Vocational Education

by Bettina Lankard Brown

PRACTICE APPLICATION BRIEF NO. 6 1999

Training Practices for Small Businesses

To meet the demands required of businesses in today's highly competitive market, companies are finding it necessary to provide ongoing training to their employees. In the past, the training offered by most businesses was driven by regulation, customer service requirements, and safety compliance issues. However, businesses are now providing training as a means of increasing worker productivity and performance and improving worker retention. This Brief presents findings on the training practices of small businesses—the types of training needed by their employees, the types of training these businesses are able to offer, and the barriers small businesses must overcome to be able to offer training to their employees. Examples of practices that can enable and promote cost-effective employee training by small businesses are provided.

Trends in Training

U. S. companies—small and large—are increasing their investment in training. The typical private-sector business with "50 or more employees spends approximately $500 per employee on training" (Bassi and Van Buren 1998, p. 26). Most training money is allocated to trainers' wages and salaries (39.6%); with outside training companies, tuition reimbursements; and training facilities making up the rest at 27.3%, 13.9%, and 21.9% respectively (ibid.).

Although large companies are more apt to provide training than smaller companies, size is becoming less of a predictor of training than complexity of the environment, degree of market competition, and the internal makeup of the company ("Company Training and Education" 1997). Companies involved in total quality management practices, technology change, and organizational restructuring, for example, are more apt to provide employee training as they are focused on high performance as a strategy for survival.

The American Society for Training and Development's State of the Industry Report highlights the influence of technology on industry training needs (Bassi and Van Buren 1998). Although small businesses have been slow to adopt new technologies, the increasingly technological nature of the workplace is prompting them to increase their spending in this regard. A *Computer Reseller News* Technical Training Survey conducted in 1999 revealed that "92 percent of small and midsize companies plan to offer technical training to their employees this year" (Roberts 1999, p. 21), making it the single most important area for training growth. As small business operations become more computerized and telecommunication activities increase, Internet, intranet, and computer-based training is expected to increase as well (Kahn 1997).

Employer-Provided Training

On-the-job training. There are 6.3 million small businesses in the United States, 6 million of which have fewer that 50 employees (Cohen 1998). Most often, training in these companies is offered in house and performed on an informal, sometimes random, basis. It is typically provided during a worker's preemployment period or on the job. Experienced and skilled workers are paired with newly hired ones to explain the operational processes of the company and answer questions related to job roles. Mentors and coworkers provide much of this type of in-house training.

Seminars and speakers. Another form of informal in-house training offered by small businesses involves the use of volunteers who are recruited from the local chamber of commerce, colleges and vocational schools, and professional associations to offer skill training seminars free of charge. Brown bag lunches offer a forum in which general information can be conveyed, discussed, and shared (ibid.). These inexpensive training methods offer opportunities for one-on-one interactions, affording employees the personal touch and coaching that motivates learning.

Classroom instruction. Although most small businesses that have fewer than 100 employees provide little formal training, this is not true of all small businesses. "An increasing number of growing businesses are starting their own universities—ongoing skill enhancement programs that draw on both internal and external resources to train new employees and keep veteran ones current with a rapidly changing business environment" (Fenn 1999, p. 95). The prime delivery method for most in-house training, however, continues to be classroom instruction.

One-on-one training. In-house training departments are less the norm in small companies than in large ones because of limited training budgets. However, individual trainers in small companies can have a great impact on employee learning and skill development as they can more readily target employees' development needs, cultivate relationships, and engage in one-on-one communication (Cohen 1998).

Training partnerships. Partnering with other businesses and securing support from suppliers are other ways in which small businesses are supporting their training functions. For example, noncompeting small businesses are combining their resources to leverage their training options. They are finding that collectively they can provide enough employees to take advantage of a single class offering, share costs of consultant seminars, and provide their employees with other types of formal skill training that they individually could not offer (ibid.).

Vendor training. Some formal training for small business employees is provided by suppliers, for example, from such vendors as Intel and 3Com Corp. Value added resellers who sell Intel and 3Com Corp computers to small companies see small businesses as their largest emerging market (Mehling 1999).

Outsourced Training

Training companies. Approximately one-third of all small businesses use external sources for their training (Roberts and Senia 1998). Sources of external training include training companies and professional trainers, including those from professional associations, who tend to provide customized programs targeted to a company's specific needs, e.g., conflict management, sexual harassment, and other management skill areas. "Customized content is by far the single most important concern for businesses" (Roberts 1999, p. 21).

Educational institutions. Educational institutions generally provide more generic training developed to meet the needs of the industries and businesses they serve. For example, Guilford Technical Community College in North Carolina has developed a model training division to serve the local area's private sector. Its Business & Industry Services division and Small Business Assistance Center have developed training courses in both the soft skill and hard skill categories (Shore 1997). In Ohio, two-year colleges and the vocational and adult education system are providing formal education and train-

ing programs for business and industry employees in such areas as statistical processes, (*Ohio's Economic Advantage* 1997).

Learning technologies. Because small companies either lack technology specialists or time for them to train other employees, many small businesses are outsourcing technology training as a way to ensure that it is conducted company wide (Horowitz 1999). Gaining in popularity are training programs offered over the World Wide Web or on CD-ROMs. These programs are cheaper than in-house classroom training and afford flexibility of time, space, and access (Kahn 1997). Companies that "engage in more competency-based training, high performance work practices, and innovative training practices are more likely to use learning technologies" (Bassi and Van Buren 1998, p. 36).

Training Obstacles

Trainers in small businesses face time, space, and staff restrictions because of the limited funding for their efforts. Other factors that influence the type and quantity of training provided in small businesses include perceptions and attitudes such as "(1) no recognition of the need for more or better skills, (2) a belief that skills training is unnecessary and that only experience matters, (3) scepticism about the value of training and qualifications, and (4) fear that employees will take their enhanced skills elsewhere" (McGivney 1997, p. 17). In addition, the experiences of small business owners may cause them to distrust continuous training for employees. For example, owners of French companies defined as Very Small Enterprises (VSE) report a distrust of training for the following reasons (Bentabet, Michun, and Trouve 1998):

- Their own success had little to do with academic learning.
- School learning does not correspond to the ways knowledge is transmitted in VSEs.
- There is a risk of introducing heterogeneous practices where diversity is threatening to the small team size.

Strategies, Support, and Compensation

Small businesses can enhance employee training by adopting mentoring, coaching, and peer review practices. Company job manuals, packaged curricula, and worksheets can be supplemented by CD-ROMs, and videotapes, audiotapes, and other media to expand training options and capabilities. Other training practices that small companies can use to gear toward high performance include the use of job rotation, quality circles, and problem-solving team practices (Klaus 1997). Cohen (1998) suggests that, although small companies may have limited training budgets, they can get the most out of their training dollars by (1) assessing their training needs, (2) identifying those needs most important to the company's operation and employee growth, and (3) investigating creative training options, such as outsourcing, distance learning, using volunteers as trainers, and linking to external providers such as equipment vendors, private consultants, industry associations, and technical/community colleges. Training support for special populations is sometimes available through company or foundation grants. For example, AT&T, through its Supplier Diversity Program, is contributing $1.2 million to provide financial assistance and training to high-tech minority-owned companies that are in need of capital for expansion and training (Garrett 1998).

Innovative compensation practices, such as employee profit-sharing, stock ownership plans, and team-based or individual incentives are some of the motivational strategies that have effectively prompted employees in small as well as large companies to seek and continue training. Fusch (1997) proposes offering blue-collar workers tuition reimbursements and onsite professional education to motivate them to pursue higher education. In a pilot skills training project for residential service staff conducted at Oxford Brookes University in Britain, 94 percent of participants stated that "they would like to continue learning and would prefer opportunities to be available at work, though not necessarily in their worktime. A good proportion subsequently went on to join local evening classes or continued to attend the open learning centre in a combination of worktime and their own time" (McGivney 1997, p. 69).

Summary

Employee training is desirable for improving both employability and productivity. Through training opportunities, workers can develop and maintain skills that are required for employment in a continually changing workplace. By providing training, employers support the skill development of their employees, thus contributing to the company's productivity and ability to provide quality products and services to its customers. Employees who receive training are less likely to seek employment elsewhere, thus reducing company turnover rates (McGivney 1997).

References

Bassi, Laurie J., and Van Buren, Mark E. "The 1998 ASTD State of the Industry Report." *Training and Development* 52, no. 1 (January 1998): 21-43.

Bentabet, Elyes; Michun, Stephane; and Trouve, Philippe. "Training and Skills in Very Small Enterprises." *Training & Employment* no. 32 (Summer 1998): 1-4. (ED 423 413)

Cohen, Sacha. "Big Ideas for Trainers in Small Companies." *Training and Development* 52, no. 4 (April 1998): 26-30.

"Company Training and Education: Who Does It, Who Gets It and Does It Pay Off?" *Workforce Economics* 3, no. 2 (June 1997): 3-7. (ED 411 418)

Fenn, Donna. "Corporate Universities for Small Companies." *Inc.* 21, no. 2 (February 1999): 95-96.

Fusch, Gene E. "The Latent Factor—An Impetus for Employer-Provided Education." Paper presented at the 5th Annual International Conference on Post-Compulsory Education and Training, Brisbane, Queensland, Australia, November 26-28, 1997. (ED 417 330)

Garrett, Kellye M. "More Aid for Black-Owned Companies." *Black Enterprise* 29, no. 5 (December 1998): 31-32.

Horowitz, Alan S. "Emerging Enterprises Set Their Own IT Agendas." *Informationweek*, no. 738 (June 14, 1999): 52.

Kahn, Robert M. "21st Century Training." *Sales and Marketing Management* 149, no. 6 (June 1997): 81-88.

Klaus, Leigh Ann. "Small Companies Finish First." *Quality Progress* 30, no. 11 (November 1997): 12-13.

McGivney, Veronica. *Develop the Worker: Develop the Business. A Guide for Smaller Businesses.* Leicester, England: National Institute of Adult Continuing Education, 1997. (ED 423 437)

Mehling, Herman. "Networking Is Growing." *Computer Reseller News*, no. 832 (March 8, 1999): 67-68.

Ohio's Economic Advantage. Enhancing Workforce Performance. Improving Business Results. Increasing Global Competitiveness. Columbus: Ohio Board of Regents, Ohio State Bureau of Employment Services, and Ohio Department of Education, 1997. (ED 411 463)

Roberts, John. "The Training Payoff." *Computer Reseller News* no. 841 (May 10, 1999): 21.

Roberts, John, and Senia, Al. "The Small Business Market Comes of Age." *Computer Reseller News* no. 775 (February 9, 1998): S5-S7.

Shore, William A. "Training: Going Against the Flow." *Economic Development Review* 15, no. 2 (Summer 1997): 33-35.

This project has been funded at least in part with Federal funds from the U.S. Department of Education under Contract No. ED-99-CO-0013. The content of this publication does not necessarily reflect the views or policies of the U.S. Department of Education nor does mention of trade names, commercial products, or organizations imply endorsement by the U.S. Government. *Practice Application Briefs* may be freely reproduced and are available at <http://ericacve.org/fulltext.asp>.

CENTER ON EDUCATION AND TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY
1900 Kenny Road · Columbus, Ohio 43210-1090